

04223

CLINICA SIERRA VISTA

FINANCIAL REPORT

MARCH 31, 2008

*Operating:*

Arvin Community  
Health Center  
1305 Bear Mountain Road  
Arvin, CA 93203  
Phone: (661) 854-3131  
Fax: (661) 854-2689

Central Bakersfield Community  
Health Center  
301 Brundage Lane  
Bakersfield, CA 93304  
Phone: (661) 323-6086  
Fax: (661) 324-6301

Death Valley Health Center  
Hiway 127  
P.O. Box 158  
Shoshone, CA 92384  
Phone: (760) 852-4383  
Fax: (760) 852-4304

Delano Community  
Health Center  
1508 Garces Hwy.  
Delano, CA 93215  
Phone: (661) 725-4780  
Fax: (661) 725-1048

East Bakersfield Community  
Health Center  
815 Dr. MLK, Jr. Blvd.  
Bakersfield, CA 93307  
Phone: (661) 322-3905  
Fax: (661) 322-1370

Frazier Mountain Community  
Health Center  
704 Lebec Road  
Lebec, CA 93243  
Phone: (661) 248-5250  
Fax: (661) 248-5279

Homeless Health Care Services  
234 Baker Street  
Bakersfield, CA 93305  
Phone: (661) 322-7580  
Fax: (661) 322-7712

Kern River Health Center  
67 Evans Road  
Wofford Heights, CA 93285  
Phone: (760) 376-2276  
Fax: (760) 376-4801

Kern Valley Medical Center  
6310 Lake Isabella Blvd.  
Lake Isabella, CA 93240  
Phone: (760) 379-2415  
Fax: (760) 379-4060

Lamont Community Health Center  
(formerly Clinica Sierra Vista)  
8787 Hall Road  
Lamont, CA 93241  
Phone: (661) 845-3731  
Fax: (661) 845-9151

McFarland Community  
Health Center  
217 Kern Avenue  
McFarland, CA 93250  
Phone: (661) 792-3038  
Fax: (661) 792-6270

North of the River  
Community Health Center  
2525 N. Chester Avenue  
Bakersfield, CA 93308  
Phone: (661) 328-4295  
Fax: (661) 399-0920

South Bakersfield  
Community Health Center  
2400 Wible Road, #14  
Bakersfield, CA 93304  
Phone: (661) 835-1240  
Fax: (661) 835-4667

34<sup>th</sup> Street Community  
Health Center  
3550 Q Street  
Bakersfield, CA 93301  
Phone: (661) 324-1455  
Fax: (661) 324-3720



Celebrating 35 Years of Caring for the Community

1430 Truxtun Avenue, 4th Floor, Bakersfield, CA 93301  
Mailing Address: P.O. Box 1559, Bakersfield, CA 93302-1559  
Business: (661) 635-3050 • Fax: (661) 869-1503 • [www.clinicas ierravista.org](http://www.clinicas ierravista.org)

September 19, 2008

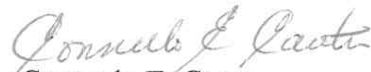
Mary LeClaire  
Governor's Office of Emergency Services  
Local Assistance Monitoring Branch  
3650 Schriever Avenue  
Mather, CA 95655

Dear Ms. LeClaire:

Enclosed is a copy of the Audited Financial Statement for Clinica Sierra Vista for fiscal year ending March 31, 2008.

If you need additional information, please call me or email me your questions to [cantuc@clnicas ierravista.org](mailto:cantuc@clnicas ierravista.org) or Emily Garcia, Deputy C.F.O., at [garciae@clnicas ierravista.org](mailto:garciae@clnicas ierravista.org).

Sincerely,

  
Consuelo E. Cantu  
Chief Financial Officer

CEC:ers

Enclosure  
- Audit Report

PROGRAMS INCLUDING:  
WIC (18 locations) • BEHAVIORAL HEALTH • PERINATAL CARE (CPSP) • CHDP •  
FAMILY PLANNING • BCCCP • BLACK INFANT HEALTH • CAL-LEARN/AFLP • TEEN SERVICES •  
HIV/AIDS SUPPORT SERVICES • NEIGHBORHOOD PARTNERSHIPS • MEDI-CAL/HEALTHY FAMILIES OUTREACH  
Providing medical, dental care, education and social services to the people of Kern and Inyo Counties since 1971.



Joint Commission  
on Accreditation of  
Healthcare Organizations

CLINICA SIERRA VISTA

March 31, 2008

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## INDEPENDENT AUDITOR'S REPORT

To The Board of Directors  
Clinica Sierra Vista  
Bakersfield, California

We have audited the accompanying statement of financial position of Clinica Sierra Vista (a nonprofit organization) as of March 31, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clinica Sierra Vista as of March 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 29, 2008, on our consideration of Clinica Sierra Vista's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Clinica Sierra Vista taken as a whole. The supplementary financial information on pages 17 to 20, inclusive, and the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

August 29, 2008

## FINANCIAL STATEMENTS

CLINICA SIERRA VISTA

## Statement of Financial Position

March 31, 2008

## ASSETS

## CURRENT ASSETS

Cash (Note B)	\$ 1,785,820
Short term investments	11,904,398
Patient accounts receivable-net (Note C)	4,398,665
Grants receivable (Note D)	3,057,933
Other receivables	837,588
Prepaid expenses	<u>177,823</u>

TOTAL CURRENT ASSETS	22,162,227
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PROPERTY AND EQUIPMENT - NET (Note E)	<u>13,209,581</u>
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TOTAL ASSETS	<u>\$ 35,371,808</u>
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## LIABILITIES AND NET ASSETS

## CURRENT LIABILITIES

Accounts payable	\$ 872,887
Accrued expenditures (Note F)	4,911,210
Advances from grants	926,889
Estimated third-party payor settlements (Note G)	928,212
Current portion long-term debt (Note H)	<u>376,375</u>

TOTAL CURRENT LIABILITIES	8,015,573
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LONG-TERM DEBT, less current portion (Note H)	<u>2,136,399</u>
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TOTAL LIABILITIES	<u>10,151,972</u>
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## NET ASSETS

Unrestricted	<u>25,219,836</u>
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TOTAL NET ASSETS	<u>25,219,836</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 35,371,808</u>
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See accompanying notes to financial statements.

CLINICA SIERRA VISTA

## Statement of Activities

For the Year Ended March 31, 2008

## UNRESTRICTED NET ASSETS

## SUPPORT

Patient Revenue	\$ 24,939,642
Grant Revenue	22,245,640
Other Income	918,635
Gain on Sale of Land	<u>427,043</u>

TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS	<u>48,530,960</u>
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## EXPENSES

Program Services	
Medical	23,364,928
Dental	2,790,299
Nutrition Education	4,482,354
Health Education	288,522
Outreach & Case Management Services	5,675,085
Behavioral Health Services	4,052,137
Supporting Services	
Management and General	<u>4,639,870</u>

TOTAL EXPENSES	<u>45,293,195</u>
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CHANGE IN NET ASSETS	3,237,765
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NET ASSETS AT BEGINNING OF PERIOD	<u>21,982,071</u>
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NET ASSETS AT END OF PERIOD	<u>\$ 25,219,836</u>
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See accompanying notes to financial statements.

CLINICA SIERRA VISTA

## Statement of Cash Flows

For the Year Ended March 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 3,237,765
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	621,448
Gain on sale of fixed assets	(427,043)
Unrealized gain on investments	710
(Increase) Decrease in Operating Assets	
Patient accounts receivable	703,921
Grants receivable	428,910
Other receivables	(257,904)
Prepaid expenses and deposits	9,529
Increase (Decrease) in Operating Liabilities	
Accounts payable	(99,025)
Accrued expenditures	423
Advances from grants	168,954
Other liabilities	<u>(309,044)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,078,644
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of fixed assets	497,294
Purchase of investments	(3,750,521)
Purchase of fixed assets	<u>(563,333)</u>
NET CASH USED BY INVESTING ACTIVITIES	(3,816,560)
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments of long-term debt	<u>(1,759,798)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	(1,759,798)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,497,714)
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	<u>3,283,534</u>
CASH AND EQUIVALENTS AT END OF YEAR	<u>\$ 1,785,820</u>
SUPPLEMENTAL DISCLOSURES	
Non-cash investing and financing transactions	
Lease of equipment	
Equipment	5,172
Capital lease obligation	<u>(5,172)</u>

See accompanying notes to financial statements.



## CLINICA SIERRA VISTA

## Statement of Functional Expenses

For the Year Ended March 31, 2008

	Medical Services	Dental Services	Nutrition Education Services	Health Education Services	Outreach & Case Mgmt Services	Behavioral Health Services	Supporting & General Services	Total Expenses
Salaries	\$ 14,500,792	\$ 1,642,513	\$ 2,551,283	\$ 150,666	\$ 3,102,485	\$ 2,157,139	\$ 3,058,931	\$ 27,163,809
Fringe Benefits	2,416,592	245,294	771,915	37,402	852,626	539,489	404,464	5,267,782
Total Salaries & Benefits	16,917,384	1,887,807	3,323,198	188,068	3,955,111	2,696,628	3,463,395	32,431,591
Consultants/Contractual	1,739,675	153,249	128,412	221	127,697	454,859	707,661	3,311,774
Administrative Indirect	86,617	75,991	259,707	27,418	442,451	391,420	(1,283,604)	-
Construction	-	-	-	-	26,925	-	6,650	33,575
Equipment	86,670	59,100	63,042	3,020	58,582	13,815	2,589	286,818
Medical Supplies	939,540	6	568	-	4,216	92	1,327	945,749
Office Supplies	167,853	13,147	19,773	6,566	87,857	31,871	67,589	394,656
Laboratory Supplies	137,019	-	-	-	-	-	-	137,019
Dental Supplies	-	320,823	-	-	1,361	-	-	322,184
X-ray Supplies	110,059	319	-	-	-	-	-	110,378
Housekeeping Supplies	38,401	4,123	10,643	143	3,913	3,434	11,126	71,783
Other Supplies	20,253	3,165	283	487	3,341	2,625	25,416	55,570
Durable Supplies	21,638	5,256	1,264	1,082	16,659	1,289	30,604	77,792
Pharmacy Supplies	356,500	468	-	-	-	-	-	356,968
Rent/Lease	424,310	23,378	244,003	21,517	242,022	158,670	301,202	1,415,102
Utilities	293,743	27,058	96,601	-	42,037	35,479	61,406	556,324
Maintenance & Repairs	436,911	68,497	86,214	12,397	112,369	83,026	379,337	1,178,751
Property Tax	214	-	-	-	-	-	5,460	5,674
Interest	240,616	-	9,586	-	-	-	-	250,202
Hazardous Waste	79,539	5,271	-	-	447	-	-	85,257
Telephone	167,976	19,455	55,275	2,560	67,955	33,772	35,501	382,494
Postage	28,954	-	354	-	5,898	887	29,089	65,182
Publicity/Promotions	14,559	3,501	861	-	-	-	25,817	44,738
Pagers & Answering Service	29,746	1,768	-	-	-	4,260	200	35,974
Printing & Publications	326,173	17,321	6,506	1,650	18,993	7,078	56,757	434,478
Freight	-	-	-	-	-	-	-	-
Travel	128,386	24,885	25,191	9,833	191,412	67,711	69,813	517,231
Licenses & Dues	55,050	2,425	6,012	-	746	572	35,553	100,358
Insurance	184,746	12,099	22,630	1,039	24,709	16,747	20,799	282,769
Training & Education	76,185	12,403	13,655	5,339	44,902	19,894	34,216	206,594
Recruitment	117,986	21,257	2,328	245	8,741	13,197	39,499	203,253
Other Expenses	(1,622)	85	94,261	5,893	176,004	4,047	92,841	371,509
Total Expenses before Deprec	23,225,081	2,762,857	4,470,367	287,478	5,664,348	4,041,373	4,220,243	44,671,747
Depreciation	139,847	27,442	11,987	1,044	10,737	10,764	419,627	621,448
Total Expenses	\$ 23,364,928	\$ 2,790,299	\$ 4,482,354	\$ 288,522	\$ 5,675,085	\$ 4,052,137	\$ 4,639,870	\$ 45,293,195

See accompanying notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

# CLINICA SIERRA VISTA

## Notes to Financial Statements

March 31, 2008

### NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 1. Background

Clinica Sierra Vista (the Clinic) is a non-profit corporation supported by federal, state, local grants, and revenues from operations. The Clinic's activities consist of providing quality medical, dental, and supportive services to the population of the San Joaquin Valley of California, with major emphasis on low income families. The Clinic operates fifteen primary health care facilities located at Lamont, Bakersfield, Wofford Heights, Frazier Park, Arvin, Delano, McFarland, Lake Isabella, and Death Valley. The Board of Directors governs all of the operations and programs of Clinica Sierra Vista. Their underlying philosophy and objective is to provide high quality comprehensive health care to the people of the area, regardless of income.

#### 2. Basis of Accounting

The Clinic prepares its financial statements in accordance with generally accepted accounting principles which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

#### 3. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board's Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Clinic is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

#### 4. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### 5. Contributions

Contributions from granting agencies received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any grantor restrictions.

CLINICA SIERRA VISTA

Notes to Financial Statements

March 31, 2008

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued).

5. Contributions (continued)

Support that is restricted by the grantor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other grantor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

6. Cash and Cash Equivalents

For purpose of the Statement of Cash Flows, the Clinic considers all unrestricted highly liquid investments with an initial maturity of three months or less and restricted cash available for current use to be cash equivalents.

7. Investments

Under SFAS No. 124, Accounting for Certain Investments Held by Not-for-Profit Organizations, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

8. Property and Equipment

Expenditures for property and equipment are stated at cost. Acquisitions in excess of \$5,000 are capitalized. Donated assets are recorded at their estimated fair market values at the date of donation. Depreciation of buildings and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

Property acquired with federal grant supported funds is considered to be owned by the Clinic while used in the program for which it was purchased or in other authorized programs. However, the federal government may request a reversionary interest in the property equal to the federal share of the grant.

# CLINICA SIERRA VISTA

## Notes to Financial Statements

March 31, 2008

### NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 9. Patient Revenue

Patient service revenue is recorded at the Clinic's established rates. Sliding fee scale adjustments, provision for uncollectible accounts and contractual allowances are deducted to arrive at net patient service revenue.

#### 10. Allowances and Adjustments to Patient Fees

Allowances for doubtful accounts are recorded in the Clinic's financial statements as a reduction to revenue from patient fees. The allowance is generally determined by the balance of patient accounts over 180 days old. Revenue from patient fees are also adjusted by discounts provided to patients who are eligible to receive discounted services based on the patient's ability to pay, in accordance with the Clinic's approved sliding fee scale. In addition, revenues from patient fees are adjusted when the Clinic is not reimbursed for services provided to patients who are covered by Medi-Cal, Medicare, Family Planning, and CHDP.

#### 11. Personal Time Off (PTO)

The Clinic permits its employees to accumulate personal time off (up to a maximum of 300 hours) over their working careers and redeem this amount in cash upon termination of employment. The estimated amount of personal time off (PTO) pay on March 31, 2008, is \$1,485,401.

#### 12. Leases

Leases which in substance transfer all of the benefits and risks equivalent to ownership of property are classified as capital leases. The related assets and liabilities are recorded at the amounts equal to the lesser of the present value of the minimum lease payments or the fair value of the leased property at the beginning of the lease term. Generally, such assets are amortized over their economic lives. Interest expense relating to lease liabilities are recorded using the effective interest method over the terms of the leases. All other leases are classified as operating leases.

#### 13. Third-Party Settlements

The Clinic provides patient care services under the FQHC Medicare and Medi-Cal programs. These programs provide for current payment on a provisional basis, subject to adjustment after submission of cost reports and audits by the respective contracting agencies. The Clinic's policy is to estimate and record such adjustments in the year in which the services are rendered, and to reflect any differences between such estimates and ultimate settlements when additional data becomes available or the amount of settlements are known.

CLINICA SIERRA VISTA

Notes to Financial Statements

March 31, 2008

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

14. Non-Profit Status

The Clinic is a private non-profit corporation organized under the laws of the State of California. Accordingly, no provision for income taxes on the excess of revenues over expenditures is included in the accompanying financial statements.

NOTE B. CASH

Cash consists of the following:

Cash on Hand	\$ 4,395
Cash in Bank – Operating Accounts	1,461,964
Cash in Bank – Operating Reserve	224,876
Cash in Bank – Unemployment Insurance Reserve	<u>94,585</u>
	<u>\$ 1,785,820</u>

NOTE C. PATIENT ACCOUNTS RECEIVABLE

The accounts receivable balance as of March 31, 2008, is comprised of the following:

Private Patients	\$ 1,485,660
Family Planning	410,157
Private Insurance	1,322,012
Medi-Cal	4,169,402
Medicare	444,932
CHDP	<u>8,117</u>
	7,840,280
Less: Allowance for doubtful accounts	<u>(3,441,615)</u>
	<u>\$ 4,398,665</u>

CLINICA SIERRA VISTA

Notes to Financial Statements

March 31, 2008

NOTE D. GRANTS AND CONTRACTS RECEIVABLE

The grants and contracts receivable balance of \$3,057,933 is comprised of the following:

Office of Family Planning Information & Education	\$ 53,904
Women, Infants, and Children Program	654,350
Comprehensive Prenatal Service	51,641
Male Involvement	34,338
Good Shepard	375
CVHN Nutrition Project	29,806
Liberty Homes	2,775
Adolescent Family Life Program	270,243
Immunization Program	28,743
Cal-Learn Program	166,607
Family Life Education	19,376
RHSD/SAMW	138,375
GSA 9 Mental Health Childrens Services	260,479
Teen Smart	28,979
CHAT	34,152
Community Challenge	22,648
Title II	20,245
HOPWA	14,390
Child Abuse Prevention Intervention Treatment	6
HUD HIV	21,439
Federal HUD Grant	25,322
Inyo County	417
Mental Health Adult Services	47,985
Kern County/X-Rays	150
Black Infant Health	23,714
Prop 10 (First Five)	187,840
Differential Response Team	214,747
Cal Works Outreach	13,826
AIDS Prevention and Education	13,334
Targeted Case Management	21,163
CAL Works Substance Abuse	85,453
HUD SHP/MHS	14,853
SAMSHA	32,265
GSA 10 Mental Health Childrens Services	390,519
Title IV	2,685
Delano Behavioral Health	95,025
Title IIIB	32,183
Federal Diabetes	155
Safe Schools	3,426
Total	<u>\$ 3,057,933</u>

CLINICA SIERRA VISTA

Notes to Financial Statements

March 31, 2008

NOTE E. PROPERTY, PLANT AND EQUIPMENT

A summary of property, plant and equipment follows:

Land	\$ 998,013
Buildings	13,675,170
Equipment	<u>4,619,121</u>
	19,292,304
Less: Accumulated Depreciation	<u>(6,082,723)</u>
Total Property, Plant and Equipment	<u>\$ 13,209,581</u>

NOTE F. ACCRUED EXPENDITURES

Accrued liabilities at March 31, 2008, consist of the following:

Employee paid time off	\$ 1,485,401
Accrued Payroll	1,371,095
Accrued Unemployment	1,513,312
Self Funded Insurance	348,377
Other Accruals	<u>193,025</u>
	<u>\$ 4,911,210</u>

NOTE G. ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS

During the year ended March 31, 2008, the balance in this account was adjusted to reflect tentative settlements proposed by the Department of Health Services on FQHC Medi-Cal PPS reports filed by the Clinic for prior years and estimated liability for the current year. The estimated balance due to the Medi-Cal Program as of March 31, 2008 is \$928,212.

NOTE H. LONG-TERM DEBT

Long-term debt liabilities at March 31, 2008, are summarized as follows:

Loans Payable

Loan payable to Bank of America dated September 28, 2005 payable in monthly installments of \$11,811, and matures on October 28, 2015. Note bears interest at 5.875%. Note is secured by a deed of trust.

\$ 872,909



CLINICA SIERRA VISTA

Notes to Financial Statements

March 31, 2008

NOTE H. LONG-TERM DEBT (Continued)

Loan payable to San Joaquin Bank dated November 27, 2006, payable in monthly installments \$22,036, and matures on November 27, 2026. Note bears interest at 6.22% and is secured by a deed of trust.

1,395,322

Loan payable to Bank of America dated September 23, 2005 payable in monthly installments of \$8,184, and matures on September 23, 2010. Note bears interest at 5.875%.

227,179

Total Loans Payable  
Less: Current Portion

2,495,410

(363,714)

Net Loans Payable

\$ 2,131,696

Long-term debt repayments due in the next fiscal year:

2009	\$ 363,714
2010	386,334
2011	359,894
2012	331,945
2013	352,783
Thereafter	<u>700,740</u>
	<u>\$ 2,495,410</u>

Obligations Under Capital Leases

Capital lease agreement with Marlin Leasing, dated September 15, 2004, payable in monthly installments of \$131. The lease term is 48 months and bears an effective interest rate of 15.925%.

\$ 748

Capital lease with Marlin Leasing, dated February 16, 2005. Lease is payable in 48 monthly installments of \$241 and bears an effective interest rate of 11.4%.

4,373

CLINICA SIERRA VISTA

Notes to Financial Statements

March 31, 2008

NOTE H. LONG-TERM DEBT (Continued)

Capital lease agreement with Fleet Capital Leasing dated June 16, 2004. Lease is payable in 63 monthly installments of \$294 and bears an effective interest rate of 25.3%. 2,977

Capital lease agreement with Citi Capital, dated November 22, 2004, payable in monthly installments of \$251. The lease term is for 48 months and bears an effective interest rate of 14.4%. 1,902

Capital Lease agreement with Marlin Leasing, dated November 8, 2007, payable in monthly installments of \$166. Lease term is for 36 months and bears an effective interest rate of 9.8%. 4,670

Capital lease agreement with Marlin Leasing, dated February 4, 2005, payable in monthly installments of \$258. The lease term is for 48 months and bears an effective interest rate of 10.5%. 2,694

Total Capital Leases	17,364
Less: Current Portion	<u>(12,661)</u>
Total Capital Leases Payable	<u>\$ 4,703</u>

The following is a schedule by year of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of March 31, 2008.

	Minimum Lease Payments	Present Value of Minimum Lease Payments
2009	\$ 14,042	\$ 12,661
2010	3,762	3,419
2011	<u>1,331</u>	<u>1,284</u>
Totals	<u>\$ 19,135</u>	<u>\$ 17,364</u>

CLINICA SIERRA VISTA

Notes to Financial Statements

March 31, 2008

NOTE H. LONG-TERM DEBT (Continued)

Summary of Long Term Debt

Total Loans Payable	\$ 2,495,410
Total Obligations under Capital Leases	<u>17,364</u>
	2,512,774
Less: Current Portion	<u>(376,375)</u>
Net Long Term Debt	<u>\$ 2,136,399</u>

NOTE I. RECONCILIATION OF FINANCIAL STATUS REPORT

The following is a reconciliation of the financial status report (FSR) prepared by the Clinic and the audit report:

<u>Community/Migrant Health/ Homeless</u>	<u>Per FSR</u>	<u>Per Schedule #1</u>	<u>Difference Over/(Under)</u>
Total program outlays	47,388,026	46,568,804	819,222
Total Federal Share of program outlays	6,249,622	6,249,622	-
Excess (deficit) program income	-	-	-

NOTE J. PENSION PLAN

Clinica Sierra Vista has a salary reduction pension plan which covers all eligible full-time employees. The plan requires the Clinic to make annual contributions to the plan trustee equal to two or four percent of the eligible participant's compensation. The Clinic's pension expense for the year ended March 31, 2008 was \$745,872.

NOTE K. CASH RISK CONCENTRATION

The Clinic maintains its checking and savings accounts with various financial and investment institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At March 31, 2008, the Clinic's uninsured cash balances totaled \$830,181.

CLINICA SIERRA VISTA

Notes to Financial Statements

March 31, 2008

NOTE L. COMMITMENTS AND CONTIGENCIES

Federal State Grants:

The Clinic has received federal and state grants which are subject to review and audit by the grantor agencies.

FQHC Third-Party Reimbursements:

The Clinic is a federally qualified center that is reimbursed on a cost basis for services provided to Medicare and Medi-Cal patients. Under these programs the Clinic is required to file cost reports and annual reconciliations at the end of the fiscal year. The purpose of these reports and annual reconciliations is to determine the cost of providing services to Medicare and Medi-Cal beneficiaries and to reconcile interim payments received during the year with the costs reported in the cost reports and actual PPS rates. The cost reports and annual reconciliations are subject to review and audit by the Medicare financial intermediary and the Medi-Cal program administrators. In the opinion of management, final settlement of these reports will not materially affect the financial statements of the Clinic.

Program Funding:

Continuing program funding is contingent upon availability of funds from federal and state sources and project performance. The funds are awarded on a yearly basis upon receipt and approval of program applications.

Claims and Litigation:

The Clinic is subject to various claims and litigation. In the opinion of management, the outcome of such matters will not have a material effect on the financial position of the Corporation.

Operating Leases:

Clinica Sierra Vista is obligated under various operating leases for the business office, clinic facilities and equipment. Such leases have initial remaining non-cancelable terms in excess of one year at March 31, 2008, and require the following future minimum rental payments:

2009	1,184,390
2010	832,879
2011	732,877
2012	657,401
2013	531,170

The company incurred \$740,560 of rental expenses under operating leases during 2008.

# CLINICA SIERRA VISTA

## Notes to Financial Statements

March 31, 2008

### NOTE M. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### NOTE N. SUBSEQUENT EVENT

On June 24, 2008, the Bankruptcy Court of the Eastern District of the Federal Court in Fresno, CA, approved an Interim Management Agreement for Clinica Sierra Vista to provide Management/Consulting Services for Sequoia Community Health Foundation, a California nonprofit corporation currently in Chapter 11 Bankruptcy proceedings and a Federal Qualified Health Clinic funded by the Bureau of Primary Health Care. The court also approved a debtor in possession credit agreement between Clinica Sierra Vista and Sequoia Community Health Foundation for \$2,759,756. Clinica Sierra Vista is a superior secured creditor if an order of dissolution is issued by the bankruptcy court. The outstanding loan balance as of August 29, 2008 is \$1,935,152.

Clinica Sierra Vista is currently conducting due diligence for the possible purchase of substantially all of Sequoia Community Health Foundation's assets. The Director of the Bureau of Primary Health Care and Project Officers have been apprised and are aware of these events.

## SUPPLEMENTARY FINANCIAL INFORMATION

CLINICA SIERRA VISTA

Grants Made By  
The United States Department of Health and Human Services  
Grant Number 6H80CS00540-06-02

COMMUNITY HEALTH CENTERS/HEALTH CENTERS GRANTS FOR  
MIGRANT AND SEASONAL FARMWORKERS

STATEMENT OF ACTIVITIES  
For the Period April 1, 2007 to March 31, 2008

	Grant Total	Federal	Non-Federal Grantee Participation
Support and Revenue	\$ 46,568,804	\$ 6,249,622	\$40,319,182
Expenditures			
Personnel	32,095,005	4,307,211	27,787,794
Supplies	2,402,263	322,388	2,079,875
Consultants and Outside Services	3,055,646	410,074	2,645,572
Travel	510,377	68,493	441,884
Space Costs and Rental	1,952,420	262,018	1,690,402
Other Costs	4,229,962	567,669	3,662,293
Total Operating Expenditures	44,245,673	5,937,853	38,307,820
Capital Expenditures	2,323,131	311,769	2,011,362
Total Expenditures	46,568,804	6,249,622	40,319,182
Deficit of Support and Revenue Over Expenditures	\$ -	\$ -	\$ -

## CLINICA SIERRA VISTA

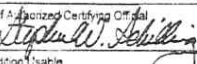
## Financial Status Report

For the Year Ended March 31, 2008

## FINANCIAL STATUS REPORT

(Long Form)

(Follow instructions on the back)

1. Federal Agency and Organizational Element to Which Report is Submitted DHHS-HRSA		2. Federal Grant or Other Identifying Number Assigned By Federal Agency 6H80CS00540-06-02		CMB Approval No. 0348-0039	Page of 1 pages
3. Recipient Organization (Name and complete address, including ZIP code) CLINICA SIERRA VISTA P.O. BOX 1559 BAKERSFIELD, CA 93302-1559					
4. Employer Identification Number 95-2707101		5. Recipient Account Number or Identifying Number N/A		6. Final Report <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
7. Basis <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual					
8. Funding/Grant Period (See instructions) From (Month, Day, Year) 4/1/2006		To (Month, Day, Year) 3/31/2011		9. Period Covered by this Report From (Month, Day, Year) 4/1/2007	
				To (Month, Day, Year) 3/31/2008	
10. Transactions.					
		Previously Reported	This Period	Cumulative	
a. Total outlays			47,388,026.00	47,388,026.00	
b. Refunds, rebates, etc.			0.00	0.00	
c. Program income used in accordance with the deduction alternative			0.00	0.00	
d. Net outlays (Line a, less the sum of lines b and c)		0.00	47,388,026.00	47,388,026.00	
Recipient's share of net outlays, consisting of:					
e. Third party (in-kind) contributions				0.00	
f. Other Federal awards authorized to be used to match this award				0.00	
g. Program income used in accordance with the matching or cost sharing alternative			23,849,643.00	23,849,643.00	
h. All other recipient outlays not shown on lines e, f or g			17,288,761.00	17,288,761.00	
i. Total recipient share of net outlays (Sum of lines e, f, g and h)		0.00	41,138,404.00	41,138,404.00	
j. Federal share of net outlays (Line d less line i)		0.00	6,249,622.00	6,249,622.00	
k. Total unliquidated obligations					
l. Recipient's share of unliquidated obligations					
m. Federal share of unliquidated obligations					
n. Total Federal share (Sum of lines j and m)				6,249,622.00	
o. Total Federal funds authorized for this funding period				6,249,622.00	
p. Unobligated balance of Federal funds (Line o minus line n)				0.00	
Program income, consisting of:					
q. Disbursed program income shown on lines c and/or g above				23,849,643.00	
r. Disbursed program income using the addition alternative					
s. Undisbursed program income				1,089,999.00	
t. Total program income realized (Sum of lines q, r and s)				24,939,642.00	
11. Indirect Expense					
a. Type of Rate (Place "X" in appropriate box)					
<input checked="" type="checkbox"/> Provisional <input type="checkbox"/> Predetermined <input type="checkbox"/> Final <input type="checkbox"/> Fixed					
b. Rate		c. Base	d. Total Amount	e. Federal Share	
12. Remarks: Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation.					
13. Certification: I certify to the best of my knowledge and belief that this report is correct and complete and that all outlays and unliquidated obligations are for the purposes set forth in the award documents.					
Typed or Printed Name and Title STEPHEN W. SCHILLING, CEO			Telephone (Area code, number and extension) 861-635-3050		
Signature of Authorized Certifying Official 			Date Report Submitted June 30, 2008		

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269-104

200-498 P.O. 139 (Face)

Standard Form 269 (Rev. 7-97)  
Prescribed by CMB Circulars A-102 and A-110





Prop 36 OTP	Delano Behavioral	Mental Hlth Child Svcs	GSA 10 Children Services	Lamont Adult Services	TOTALS
\$ 13,229	\$ 168,319	\$ 764,508	\$ 736,664	\$ 168,185	\$ 1,985,939
3,754	46,208	193,225	189,634	35,104	499,795
16,983	214,527	957,733	926,298	203,289	2,485,734
-	122,474	-	142,795	14,640	308,106
-	-	-	35,014	-	35,014
-	-	5,211	7,903	18,300	31,414
-	10,354	456	29,645	-	40,455
-	250	1,500	2,000	-	3,750
-	-	-	-	110	110
1,435	18,178	42,305	58,596	1,920	139,372
-	500	500	500	500	2,000
309	3,292	4,638	10,187	5,864	26,252
18	225	-	-	-	383
-	-	-	2,281	309	2,590
-	-	-	120	-	120
333	3,441	2,778	15,570	4,215	28,746
21	254	960	407	128	1,976
154	4,825	2,482	3,464	2,104	14,079
-	-	168	168	-	336
-	-	3,140	976	1,182	5,298
-	-	2,168	1,486	90	3,744
-	-	3,844	5,393	-	9,237
-	200	-	-	200	500
-	530	3,553	3,777	983	9,599
-	81	172	188	67	508
-	-	-	-	727	727
-	75	-	-	259	334
-	348	425	146	-	919
-	-	947	596	647	2,190
429	2,035	1,095	400	331	7,379
175	1,225	20,099	45,097	1,763	69,584
-	-	-	474	-	474
-	-	-	-	40	40
-	4,507	3,160	3,681	611	13,011
304	6,500	30,243	15,271	5,791	63,443
-	-	88	-	-	88
-	105	195	619	37	1,173
-	-	-	54	399	453
264	4,076	7,944	12,769	1,660	28,889
-	-	1,289	-	-	1,289
-	92	-	-	-	92
39	409	562	908	654	2,814
130	-	394	1,784	149	2,614
-	-	-	21	-	141
-	-	43	699	-	742
-	1,115	3,696	7,472	112	13,012
-	-	1,050	190	300	1,540
-	173	292	230	194	889
-	124	3,851	6,248	8	11,117
4	84	330	660	-	1,089
-	-	-	-	-	38
-	-	45	-	23	68
-	-	80	172	-	252
-	-	12	2	1	15
-	123	-	547	123	793
56	1,305	2,765	2,503	60	6,996
-	-	1,542	-	206	1,748
-	-	1,224	-	-	1,224
-	206	2,698	2,865	-	5,769
-	3,510	206	-	-	3,716
2,524	32,824	146,087	142,424	30,966	380,379
6,195	223,440	304,237	566,302	95,673	1,288,630
\$ 23,178	\$ 437,967	\$ 1,261,970	\$ 1,492,600	\$ 298,962	\$ 3,774,364



## Schedule 4

TCM Ridgecrest	TCM SENP	Cal-Learn	AIDS Education	HOPWA Title II	Kern Life Line Title II	TOTAL
\$ 2,165	\$ 2,857	\$ 524,235	\$ 35,507	\$ 51,047	\$ 46,888	\$ 1,071,721
263	201	153,951	10,462	15,501	12,566	314,322
2,428	3,058	678,186	45,969	66,548	59,454	1,386,043
-	-	4,077	1,140	-	228	5,445
-	-	2,500	-	-	-	2,500
-	42	413	-	-	-	630
-	-	64,160	5,110	2,829	7,006	83,223
-	-	1,020	-	-	-	1,536
-	706	11,519	1,855	1,371	1,553	19,070
12	16	784	-	-	-	1,005
-	-	1,287	-	26	13	1,326
155	8	11,751	934	898	603	15,246
19	19	364	-	-	-	801
-	144	4,299	462	329	86	6,227
-	136	7,051	-	-	-	8,229
-	187	8,446	551	252	65	11,158
-	-	60	-	-	-	60
-	-	3,003	162	103	227	3,917
-	-	397	-	842	-	1,417
-	-	-	-	-	-	240
-	-	626	-	-	-	626
-	-	302	-	-	-	372
-	1,403	150	-	-	-	1,553
-	-	3,060	155	-	-	3,240
-	-	14,447	1,219	40	111	28,217
-	-	323	-	-	-	323
-	-	4,274	-	-	-	4,274
-	-	986	-	-	-	986
147	-	15,524	-	-	-	15,671
-	-	29,496	618	33	621	37,744
72	-	710	-	555	-	1,337
-	-	301	423	-	-	2,355
194	-	12,155	-	-	-	12,349
-	592	16,294	1,264	274	581	24,490
-	-	-	-	-	218	218
-	-	-	-	-	-	24
-	61	1,178	-	-	114	1,611
-	-	552	1,061	-	-	1,683
-	-	1,664	362	-	-	2,026
-	-	95	1,328	-	-	1,423
-	8,543	2,451	250	-	-	12,008
-	-	-	-	-	-	520
-	75	-	-	-	-	75
33	-	1,120	(3)	(9)	-	1,272
-	-	199	-	-	-	331
-	-	46	-	-	-	48
-	-	664	-	-	-	664
-	200	-	-	-	-	200
-	-	-	5,137	-	-	5,292
-	-	-	-	-	20,875	20,875
-	1,311	-	-	-	-	1,311
-	-	1,855	164	-	41	2,103
-	-	3,013	1,187	93	-	6,458
-	-	-	-	49,142	-	49,142
-	-	-	-	-	6,125	6,125
-	-	957	-	-	-	957
-	-	143	-	-	-	143
-	-	2,968	-	-	-	2,968
-	-	5	-	439	-	444
584	279	104,961	4,709	3,282	6,115	172,906
1,216	13,722	341,650	28,088	60,499	44,582	586,394
\$ 3,644	\$ 16,780	\$ 1,019,836	\$ 74,057	\$ 127,047	\$ 104,036	\$ 1,972,437

CLINICA SIERRA VISTA

## Schedule of Expenditures of Federal Awards

For the Year Ended March 31, 2008

<u>Program Name</u>	<u>Pass-through Grantor</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Expenditures</u>
<u>U.S. Department of Health and Human Services</u>				
Health Center Cluster:				
Community Health Centers	N/A	93.224	N/A	\$ 1,365,742
Health Centers Grants for Migrant and Seasonal Farm Workers	N/A	93.224	N/A	4,324,811
Health Centers Grants for Homeless Populations	N/A	93.224	N/A	559,069
HIV Care Formula Grants	Kern County Department of Public Health	93.917	679-2007	103,388
Temporary Assistance for Needy Families	Kern County Department of Human Services	93.558	353-2007	893,440
Medical Assistance Program	State of California Department of Health Services	93.778	05-45107	296,712
Medical Assistance Program	Kern County Department of Public Health	93.778	606-2007	44,494
Immunization Grants	Kern County Department of Public Health	93.268	680-2007	171,027
Grants for Cordinated Services and Access to Research for Somen, infants, Children and Youth	University Medical Center Ambulatory Care Services	93.153	N/A	65,650
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	N/A	93.918	N/A	330,485

CLINICA SIERRA VISTA

Schedule of Expenditures of Federal Awards  
(Continued)  
For the Year Ended March 31, 2008

<u>Program Name</u>	<u>Pass-through Grantor</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Expenditures</u>
<u>U.S. Department of Health and Human Services</u>				
Temporary Assistance for Needy Families	Kern County Superintendent of Schools	93.558	Sub-Contract	\$ 81,171
Temporary Assistance for Needy Families	Kern County Superintendent of Schools	93.558	Sub-Contract	35,107
Temporary Assistance for Needy Families	Kern County Department of Mental Health	93.558	496-2007	61,368
Temporary Assistance for Needy Families	Kern County Department of Mental Health	93.558	497-2007	62,185
Temporary Assistance for Needy Families	Kern County Network for Children	93.558	N/A	27,794
Promoting Safe & Stable Families	Kern County Network for Children	93.558	N/A	87,108
Medical Assistance Program	State of California Department of Health Services	93.778	03-75827	59,542
Medical Assistance Program	State of California Department of Health Services	93.778	04-35697	35,683
Medical Assistance Program	State of California Department of Health Services	93.778	03-76113	46,268
Temporary Assistance for Needy Families	Kern County Network for Children	93.558	N/A	62,503
Substance Abuse and Mental Health Services Projects of Regional and National Significance	N/A	93.243	IH79T10I8855-01	98,151

CLINICA SIERRA VISTASchedule of Expenditures of Federal Awards  
(Continued)

For the Year Ended March 31, 2008

<u>Program Name</u>	<u>Pass-through Grantor</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Expenditures</u>
Maternal & Child Health Services Block Grant to the States	Kern County Department of Public Health	93.994	606-2007	38,138
State Childrens Insurance Program	State of California Department of Health	93.767	MRMIBB/RHDP	102,629
Maternal & Child Health Services Block Grant to the States	State of California Department of Health	93.994	05-45107	211,260
Temporary Assistance for Needy Families	Kern County Network for Children	93.558	N/A	24,147
Temporary Assistance for Needy Families	Kern County Network for Children	93.558	N/A	27,064
Temporary Assistance for Needy Families	Kern County Network for Children	93.558	N/A	63,088
Temporary Assistance for Needy Families	Kern County Network for Children	93.558	N/A	<u>132,779</u>
				9,410,803
<u>U.S. Department of Housing and Urban Development</u>				
Supportive Housing Program	N/A	14.235	N/A	74,865
Supportive Housing Program	N/A	14.235	N/A	150,418
Housing Opportunities for People with AIDS	Kern County Department of Public	14.214	715-2007	126,061
Supportive Housing Program	N/A	14.235	N/A	<u>78,127</u>
				429,471
<u>U.S. Department of Justice</u>				
Crime Victim Assistance	State of California Governor's Office of Emergency Services (VOCA)	16.575	AT 07041761	<u>139,413</u>
				139,413

CLINICA SIERRA VISTASchedule of Expenditures of Federal Awards  
(Continued)

For the Year Ended March 31, 2008

<u>Program Name</u>	<u>Pass-through Grantor</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture</u>				
Special Supplemental Nutrition Program for Women, Infants, and Children	California Department of Health Services	10.557	05-45746	4,257,285
State Administrative Matching Grants for Food Stamp Program	Central Valley Health Network	10.561	07-65310	33,847
				<u>4,291,132</u>
<u>U.S. Department of Education</u>				
Safe and Drug Free Schools and Communities-National Program	Lamond Shool District	84.184	N/A	3,427
				<u>3,427</u>
Total Expenditures of Federal Awards				<u>\$ 14,274,246</u>

## Notes to Schedule of Expenditures of Federal Awards

Note A – Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.



## REPORT TO MANAGEMENT



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS*

To The Board of Directors  
Clinica Sierra Vista  
Bakersfield, California

We have audited the financial statements of Clinica Sierra Vista (a nonprofit organization) as of and for the year ended March 31, 2008, and have issued our report thereon dated August 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clinica Sierra Vista's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clinica Sierra Vista's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Clinica Sierra Vista's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clinica Sierra Vista's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

August 29, 2008

A handwritten signature in black ink, appearing to be a stylized name, possibly "J. Smith" or similar, written in a cursive script.



REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors  
Clinica Sierra Vista  
Bakersfield, California

Compliance

We have audited the compliance of Clinica Sierra Vista (a nonprofit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2008. Clinica Sierra Vista's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Clinica Sierra Vista's management. Our responsibility is to express an opinion on Clinica Sierra Vista's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Clinica Sierra Vista's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Clinica Sierra Vista's compliance with those requirements.

In our opinion, Clinica Sierra Vista complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2008.

Internal Control Over Compliance

The management of Clinica Sierra Vista is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Clinica Sierra Vista's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Clinica Sierra Vista's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the audit committee, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

August 29, 2008

A handwritten signature in black ink, appearing to be a stylized name, possibly "J. R. Smith", written in a cursive script.

CLINICA SIERRA VISTA

Schedule of Findings and Questioned Costs

Year Ended March 31, 2008

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes X No

Reportable condition(s) identified

not considered to be material weaknesses?

\_\_\_\_\_ Yes X No

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes X No

Federal Awards

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes X No

Reportable condition(s) identified

not considered to be material weaknesses?

\_\_\_\_\_ Yes X No

Type of auditor's report issued on compliance for major  
Programs:

Unqualified

Any audit findings disclosed that are required to be  
reported in accordance with Circular A-133,  
Section .510(a)?

\_\_\_\_\_ Yes X No

Identification of Major Programs:

93.224 U.S. Department and Human Services – Health Center Cluster

93.778 U.S. Department and Human Services – Medical Assistance Program

Dollar threshold used to distinguish between

Type A and Type B programs:

\$428,227

Auditee qualified as low-risk auditee?

X Yes \_\_\_\_\_ No

Section II – Financial Statements Findings

None

Section III – Federal Award Findings and Questioned Costs

None